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*"Arizona's water and
wastewater funding source"*



Stephen A. Owens
ADEQ Director
WIFA Board Chair

By Steve Owens, WIFA Chairman

Earlier this year, the Arizona Department of Environmental Quality (ADEQ) unveiled its plan to help the state's small and rural community water systems comply with the new, stricter federal standard for arsenic in drinking water.

The new standard requires Arizona's 1,700 public water systems to lower the concentration of arsenic in their drinking water from 50 parts per billion to 10 ppb by January 2006 – a significant challenge for water systems in Arizona because arsenic occurs naturally in soil and groundwater here at concentrations ranging from 10 ppb to 200 ppb.

The new federal requirement is particularly challenging for the state's 287 small water systems and those in rural areas because they have

fewer customers to help pay for the compliance costs and because they rely primarily on groundwater as their drinking water sources. For this reason, ADEQ's Plan is designed specifically to meet the small systems' requirements.

ADEQ's Arsenic Master Plan simplifies the compliance requirements and provides a list of the most cost-effective solutions for water systems with fewer than 10,000 customers, based upon their individual water sources and system configurations.

Since making the plan available to water systems statewide, ADEQ has continued to work closely with the Arizona Corporation Commission, the Water Infrastructure Finance Authority of Arizona (WIFA), the Greater Arizona Development Authority, the Border Environmental Cooperation Commission, USDA Rural Utilities Service, and the Rural Utilities Consumer Office to identify the needs and potential resources required to meet the challenge.

ADEQ also has conducted customized county-by-county analyses of water systems to review the compliance challenges and options for treatment and financing, and developed a mentoring program to allow small systems to learn from larger municipalities.

Despite these efforts, fewer than 50 of the state's 287 small water systems have begun to take the steps needed to meet the compliance deadline. This could cause problems down the road.

The need to move ahead rapidly is critical because many of these water systems have no arsenic treatment equipment. These operators will be installing and operating arsenic removal systems for the first time, and most will need financial assistance to do so. ADEQ had hoped by this time systems would have identified appropriate solutions to suit their situations, developed cost estimates, and begun to discuss financing options with WIFA and the Arizona Corporation Commission.

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Time to Get Moving on New Arsenic Standard continued from page 1

Financing options for water treatment facilities range from obtaining grants or loans to issuing bonds. The Water Infrastructure Finance Authority, Arizona's Rural Development, the Border Environmental Cooperation Commission and the North American Development Bank are financial assistance organizations that specialize in financing water system infrastructure projects.

Each of these organizations has slightly different missions and requirements, but together they offer a wide range of choices for small water systems. The Water Infrastructure Finance Authority is a state agency that provides low-interest loans to finance

water and wastewater infrastructure projects. Arizona Rural Development administers water and wastewater loan and grant programs for Arizona's rural areas and offers technical assistance.

The Border Environmental Cooperation Commission and the North American Development Bank provide capital for environmental infrastructure projects in the border region (within 62 miles [100 km] of the international border).

Small water systems may be waiting for inexpensive technologies to be developed. ADEQ understands that concern and continues to seek federal funds to research and develop low-cost

arsenic removal technologies. In June 2003, the state was awarded two arsenic removal research grants, and we hope to get several more in the next grant cycle. We are also advocating that these small systems be granted flexibility from the Corporation Commission to take advantage of any cost savings that come along after their rate increases are approved.

The key to achieving compliance with the new federal arsenic standard by 2006 is cooperation and coordination of all the regulating agencies, associations and water systems. Now is the time to get moving on compliance.

The Quarter Ahead

| Date | Event | Date | Event |
|-----------------------|---|--------------|--|
| July 1 | Technical Assistance Funding Cycle 2005 Begins | September 15 | Flagstaff FA Funding Cycle 2005/Arsenic Workshop |
| July 5 | Independence Day Holiday Observed | September 16 | Phoenix FA Funding Cycle 2005/Arsenic Workshop |
| July 14 | RWIC Project Meeting | September 17 | Tucson FA Funding Cycle 2005/Arsenic Workshop |
| August 16 | CWRF and DWRF PL Applications Mailed | October 1 | CWRF and DWRF PL Applications Due |
| August 16-19 | ASUA Leadership Conference | October 6 | WIFA Board Committee Meetings location: WIFA offices |
| August 31-September 3 | League of Cities and Towns Conference | October 6-8 | Governor's Annual Rural Development Conference |
| September 1 | WIFA Board Committee Meetings-location WIFA office | October 20 | WIFA Board Meeting -location TBD |
| September 6 | Labor Day Holiday Observed | | |
| September 15 | WIFA Board Meeting -location TBD | | |

Loans Closed

Recent Closed Loans Include:

CWRF Loans

Raven Ridge CFD - \$925,446
 City of Somerton - \$4,400,000
 Lake Havasu City - \$3,560,000
 Lake Havasu City - \$5,940,000
 Overgaard DWID - \$300,000
 Pima County - \$18,015,219

DWRF Loans

Avra Water Co-op - \$1,946,750
 Carefree - \$3,332,280
 Chandler Heights CID - \$306,000



The Avra Water Coop (AWC) is the first drinking water system to receive WIFA funding for arsenic removal. Present at the \$1.9 million loan closing left to right: Adam Williams, WIFA CFO, Chris Ward, AWC general manager, Jay R. Spector, WIFA executive director, and Robert Decker, AWC president. The loan funds new wells, increased storage capacity and upgrades to the treatment facility.

Residential Rates 2003 Survey

The new Arizona Water and Waste water Residential Rates - 2003 Survey is available on WIFA's Web site (www.azwifa.gov). The survey is the most comprehensive comparison of residential utility rates in Arizona. Approximately 438 water systems and 122 wastewater systems, including municipalities and sanitary districts, participated in the survey.

The 2003 survey provides data on the unit rates and total monthly charges assessed by utilities throughout Arizona for water consumed and/or wastewater generated. It is also organized by alpha, ownership type, annual revenue, number of service connections, and county. Hard copies may be requested by calling (602) 364-1310.



Above: Governor Janet Napolitano presents a \$1.2 million check to town of Prescott Valley officials for the Raven Ridge CFD project. Left to right: Fran Schumacher, councilmember, Jay Fagelman, vice mayor; Governor Napolitano, Bob Edwards, councilmember; Stephen A. Owens, WIFA chair and Director, ADEQ; Richard C. Killingsworth, mayor; Mike Flannery, councilmember. Prescott Valley will use the funds to decommission several wastewater "package" plants and connect the district to the town's sewer facilities.

Below: Town of Prescott Valley officials and WIFA staff during the loan agreement signing at Prescott Valley town hall.



State Legislators Pass WIFA Reauthorization Bill

The Water Infrastructure Finance Authority of Arizona received unanimous support by the Arizona Legislature with passage of SB 1062 providing agency continuance another 10 years until July 1, 2014.

Governor Janet Napolitano signed SB 1062 into law March 30, 2004.

The bill was sponsored by Senator Carolyn Allen. Several cities, towns, coun-

ties and related groups voiced their support of the bill at the public hearing.

WIFA was created in 1997 and was scheduled to terminate on July 1, 2004. A sunset review was conducted October 2, 2003. House and senate committees recommended that WIFA be continued for 10 years.

WIFA Receives Highest Bond Credit Ratings

Standard and Poors recently awarded WIFA the highest credit rating available – "AAA." The Authority also received "AAA" from Fitch Ratings and "Aaa" from Moody's Investor Service. These are the three top Wall Street rating agencies.

A triple A rating is the highest credit rating awarded to a bond issuer.

These credit ratings allow WIFA to borrow money at the best rates and pass on significant savings to communities throughout the state.

"This is a great achievement for WIFA and for the state of Arizona," said WIFA Chairman and ADEQ Director Steve Owens. "Due to sound management and fiscal policies, these three triple-A credit ratings highlight the agency's strong performance as a low-interest source of funds for Arizona communities."

Announcement of the credit ratings come in advance of WIFA's newest bond issuance that closed April 6.



WIFA and the city of Somerton close their loan. Left to right: Jose Yopez, vice-mayor; councilmembers Lois Hollis and Francisco Vasquez; Cliff O'Neill, city manager/clerk; Jay R. Spector, WIFA executive director; Agustin Tumbaga Jr., city mayor; Adam Williams, WIFA CFO and councilmembers Victor Lozano, Arturo Magana, and Enrique Porchas.

WIFA Projects of the Year 2003

Since 1998, WIFA has presented recognition awards to WIFA-funded projects as demonstrated by their performance in resolving water quality issues, securing public support, and enhancing cooperative water infrastructure funding efforts.

The Project of the Year Award for "Best Design and Planning Effort" was given to environmental engineering and consulting firm Brown & Caldwell for their work on the City of Bisbee's municipal wastewater system. The award was presented by WIFA Board Members Paul Gardner and Bill Garfield at the Arizona Water and Pollution Control Association's annual conference on May 5, 2004. Mike Fleury, who worked on the project, accepted the award on behalf of Brown & Caldwell.

WIFA Executive Director Jay Spector and WIFA Board Member Gail Hackney presented the "Best Partnership Project of the Year" award to the Mt. Lemmon Domestic Water Improvement District on Friday, June 18 during the Aspen Ball.

The award was presented for exemplary efforts by community leaders, county, state and federal officials who rebuilt community infrastructure, including the drinking water system after the Aspen Fire of June and July 2003.

WIFA provided a \$9,000 technical assistance grant to the water district. Chairman of the Mt. Lemmon Domestic Water Improvement District, Ed Roll, accepted the award.

Additional awards will be presented to communities for best projects in the following categories: financial assistance, technical assistance, project leadership by an individual and a special chairman's award. Award recipients and local recognition events for these Projects of the Year will be announced in the upcoming months.

WIFA Update

New Board Member

Joseph (Joe) F. Yuhas is WIFA's newest board member. Joe represents the Arizona Department of Commerce, replacing Kathleen Zeider.

Joe was selected by Governor Janet Napolitano to serve as deputy director of the commerce department. He formerly served as President of the Arizona Restaurant and Hospitality Association.



*Joe Yuhas, Deputy Director
Arizona Department of Commerce*

A graduate of Rider University in Lawrenceville, New Jersey, Joe has nearly 25 years of experience in the public policy community. Prior to relocating in Arizona, he also served public office in New Jersey including the state legislature.

New Staff

Jay R. Spector took charge as WIFA's Executive Director in September 2003. Prior to joining the Authority, Jay served as the director of intergovernmental affairs and outreach for ADEQ where he was responsible for the agency's interactions with state and local elected officials as well as management of the agency's community outreach program.

Prior to ADEQ Jay served as the director of federal affairs for the National Association of Industrial and Office Properties (NAIOP), a national trade association that represents the



*Jay R. Spector
WIFA Executive Director*

commercial real estate industry in Washington, D.C.

Prior to NAIOP, Jay served as special assistant to U.S. Secretary of the Interior and former Arizona Governor, Bruce Babbitt. He earned a bachelor of general studies in business administration from Northern Arizona University.

Christina J. Worden has joined WIFA as Communications Director, replacing Suzanne Price. She was previously employed by ADEQ in the Office of Communications. Christina earned her bachelor's degree from Arizona State University.

Brad Whitmore joins WIFA's information technology staff as full-time Network Administrator, replacing Val Gonzales. A native of Michigan, Brad formerly was employed by the Arizona Department of Transportation where he was also a network administrator.

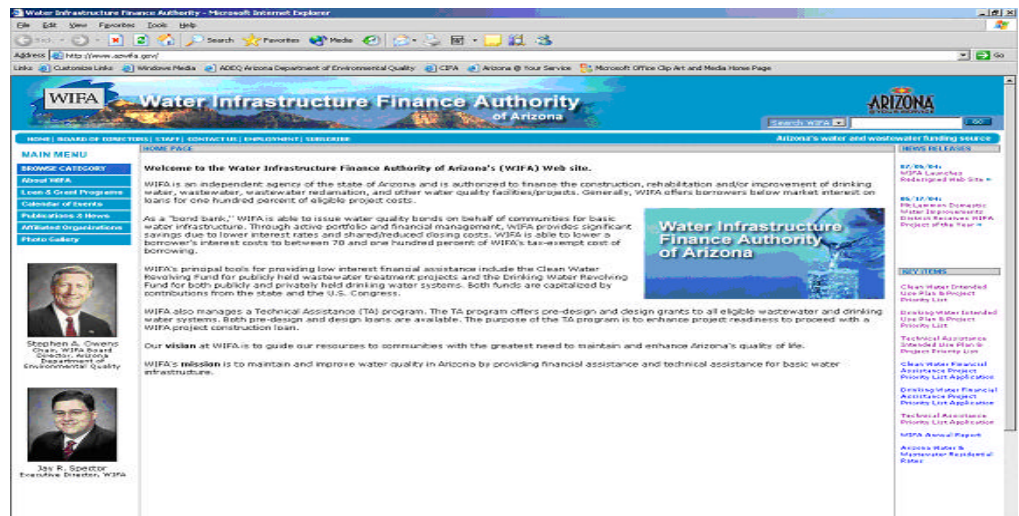
Yolanda Mendoza is Administrative Secretary and receptionist at WIFA's front desk. She was formerly employed by APS and OSI and handled customer service duties.

WIFA Launches Redesigned Web Site

On July 6, 2004, WIFA launched a redesigned Web site (www.azwifa.gov) as part of its ongoing effort to improve the way the authority provides information about its programs and services.

Key features of the new site include:

- An enhanced WIFA home page that will showcase the authority's priority information and that will have quick links to important applications.
- Web pages devoted to each of WIFA's loan and grant programs: the Clean Water Revolving Fund, the Drinking Water Revolving Fund and the Technical Assistance Grant page. Each loan and grant program Web page has the appropriate loan and grant forms available for application.
- A new "Calendar of Events" function to provide information about application deadlines, upcoming meetings and other authority events.
- A new listserv feature (see "Subscribe" in the upper navigation menu), which allows subscribers to receive information such as news releases and WIFA publications.
- A consolidated staff listing that includes descriptions about each of WIFA's divisions and staff contact information.
- The Web site has been designed to be compliant with the Americans with Disabilities Act and Worldwide Web Consortium (the governing body for Web standards) criteria. It also complies with state of Arizona Web site standards, which enables access to the state's Google search engine, allowing users to search by keyword(s) in Web pages as well as PDF documents.



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